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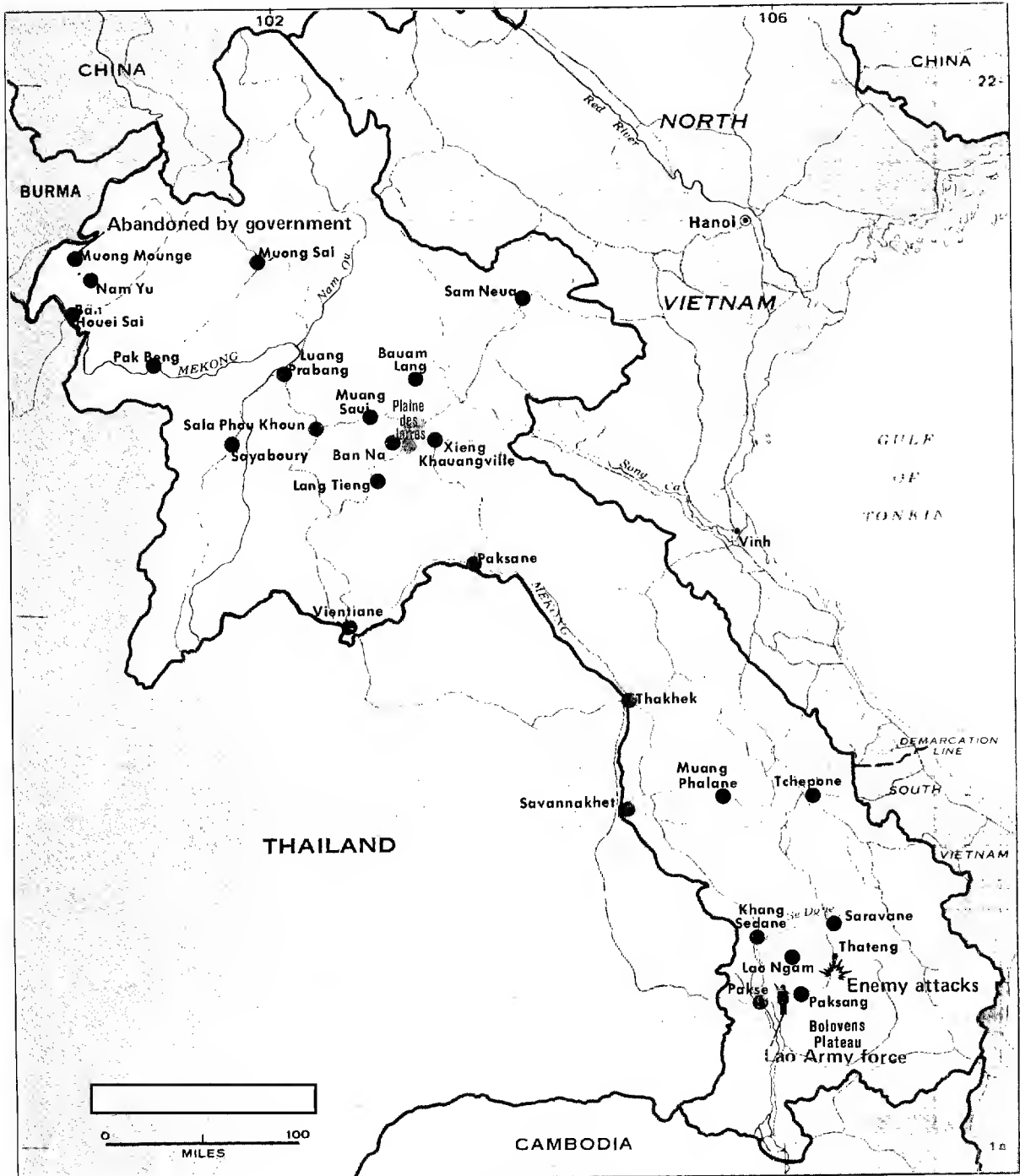
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● Government controlled

● Communist controlled

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LAOS: Communist units are still trying to clear government irregulars from the northern Bolovens Plateau, but there is little fighting in other sections of the country.

Mortar attacks on 27 February dispersed an irregular battalion along Route 23 several miles south of Thateng, and ground attacks on the same day drove other irregulars from positions near the road farther south. Preliminary reports indicate that fighting continued in this sector on 28 February. In the Paksong area, field commanders reported several shelling incidents on 27 February as lead elements of an 800-man Lao Army force edged to within three miles of the town. Military action continues to wane elsewhere. In the remote northwest, however, Communist shellings forced a Lao Army battalion to abandon Muong Mounge, a much fought over village some 30 miles north of Ban Houei Sai.

On the political front, the two joint commissions charged with implementing the political and military provisions of the peace agreement met for the first time on 28 February. Discussions in the political commission centered on the formation of the Joint National Political Council, a body that will advise the new provisional government on procedures for National Assembly elections.

Representatives on the military commission settled several procedural matters and agreed that at future sessions they would come to grips with several major issues including the withdrawal of foreign troops, the exchange of prisoners, and materiel replacement. Both commissions agreed to meet three times a week with the next session scheduled for Friday.

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INTERNATIONAL MONETARY DEVELOPMENTS: Although currency markets have calmed somewhat this week, the dollar has been weak in Europe and has strengthened in Japan. The price of gold remains volatile and is substantially higher than before the dollar devaluation.

The dollar closed at or near its floor yesterday against the mark, the Belgian franc, and the Dutch guilder, and the floating Swiss franc soared still higher, reaching a level about 23 percent above its old dollar central rate. The Dutch central bank purchased \$152 million, the first European intervention since last Friday, as foreign depositors are taking advantage of a Dutch premium relative to the mark. The dollar's continued weakness is attributable to uncertainty about the permanence of the new exchange rate agreement. Reports of a joint float of European currencies in the event of another crisis have had an unsettling effect, as have the wild fluctuations in the gold market.

The precipitous rise of the Swiss franc--it has increased by about 7 percent against the dollar since last Wednesday--has occurred despite dollar purchases by the Swiss central bank last week. Bern announced on Monday that its interventions on 21 and 22 February had amounted to over \$700 million, far above previous market estimates. The floating franc apparently has been a haven for speculators betting on a substantial repegging relative to the old central rate. The strength of the franc, nevertheless, is not supported by a similar strength in the Swiss current account, which showed only a \$70 million surplus in 1972 as large tourist revenues offset a large trade deficit.



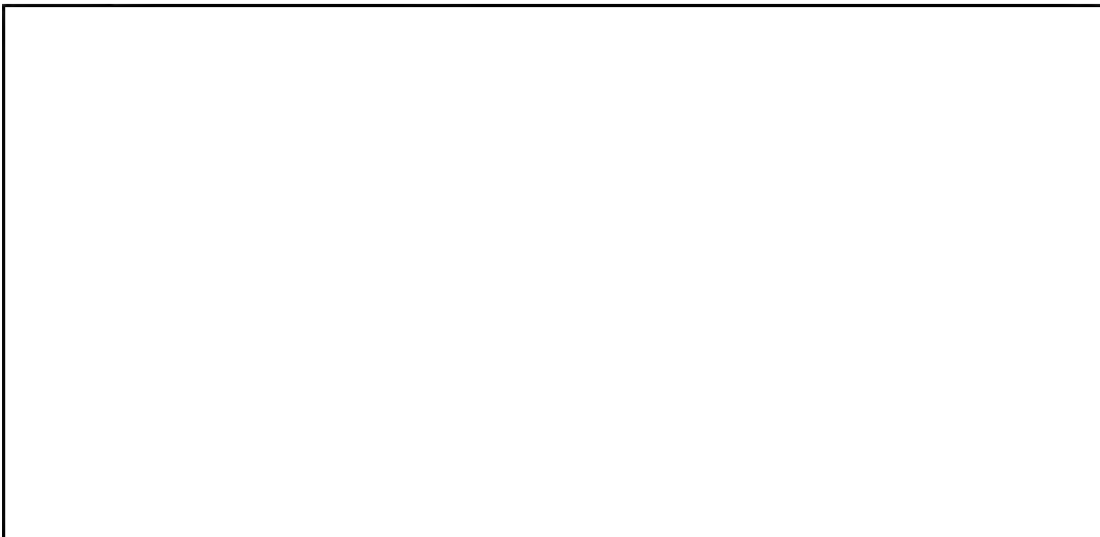
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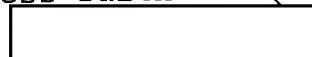
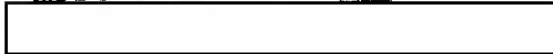


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In contrast to the dollar weakness in Europe, the dollar has strengthened sharply against the floating yen in Japan. Over the past two days, the yen's revaluation against its old central dollar rate decreased from 16.7 percent to 14.5 percent in increased trading volume, and the yen revaluation temporarily went as low as 11.6 percent. It had stabilized for about a week because of government restraints on export contracts. The increased strength in Tokyo is due to commercial bank purchasing to bring dollar holdings up to the minimum end-of-the-month levels required by the central bank. The yen is unlikely to remain at the present level because of the large current account surplus expected in March.

The London gold price closed yesterday at about \$85, down sharply from last week's high of \$95, but up 24 percent from its pre-dollar devaluation rates. The price has risen despite increased South African gold sales: Pretoria last week sold all of its weekly gold output for the first time since last spring. Speculators clearly have less faith in most currencies than in the metal.

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ECUADOR: The government is pushing ahead with enforcement of a controversial decree designed to increase petroleum revenues by raising foreign rentals on petroleum concessions and making the increase retroactive to October 1971.

The decree, promulgated last June, has prompted investors with relatively unproductive holdings--such as Amoco and the Anglo consortium--to turn back non-productive concession areas to the State Oil Corporation. Investors with more to lose--such as Texaco-Gulf--have quietly complied with the decree. The general effect of the new policy has been to dampen interest in investing in Ecuadorean oil.

This week the Ministry of Natural Resources took over the Minas y Petroleos oil concession following the US-owned consortium's refusal to pay the increased rental fees. The consortium's offices in Quito have been placed under armed guard and the guarantee bonds it has posted have been declared forfeited. In addition, the attorney general is studying the possibility of civil or criminal action. Under Ecuadorean law, the officers of a company are personally liable for the company's obligations and are subject to imprisonment.

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The consensus of the Ecuadorean Government now appears to be that the country's position on petroleum can only improve as the world energy crisis worsens. Any suggestion from more moderate officials that the country needs foreign capital and expertise too much to alienate the oil companies draws the response that the companies had better accept today's terms because tomorrow's will be even more stringent. [REDACTED]

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RWANDA: Violence appears to be taking place in the wake of a campaign to deny the country's Tutsi minority education and private employment.

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In January the Hutu government imposed a quota of 10 percent--the Tutsi proportion of the population--on Tutsis entering the school system. This led to a number of clashes between Hutu students and Tutsis defying the quota. In late February groups of Hutus began agitating for the removal of Tutsi employees from the private sector. A number of banks, import and distribution firms, and other large businesses in the capital have given in to the agitators' demands. Some groups have extended their demands to include the expulsion of Belgian teachers, priests, and technicians. On several occasions Hutu bands have attacked Belgian-run schools and a number of Tutsis have been killed. Some Tutsis are fleeing for refuge in neighboring Burundi.

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The government has made no official statement nor has it taken any steps to damp down the growing unrest. Rather, government and party officials are referring to the agitation as a spontaneous demonstration of public sentiment. The campaign stems in part from Hutu bitterness and frustration over the slaughter of perhaps as many as 200,000 Hutus by Burundi's Tutsi-dominated government last summer.

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Moreover, Rwanda's Tutsis over the years have proven to be more energetic and ambitious than the Hutus and have passed through the educational system and into the limited job market in numbers out of all proportion to their percentage of the population. Rwanda's Hutus, fearing that the revolution that brought them to power in 1959 will be diluted and that Tutsi influence will increase, now seem determined to redress the imbalance even at the risk of national instability.

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DAHOMY: President Kerekou claims to have uncovered a plot to overthrow the military government that he and fellow junior officials established following their bloodless coup last October.

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In a radiobroadcast yesterday, Kerekou charged that senior military officers and civilian "mercenaries" were planning to assassinate him and several ministers. He also claimed that a "foreign power," which he may eventually identify as France, financed the plot. A number of officers have been arrested. The most prominent is Colonel Alley, a veteran coup-plotter and one-time head of state, who recently has been airing publicly his unhappiness with what he considers the radical trend of the new government. Alley and Dahomey's other senior officers had been shelved in non-military sinecures by Kerekou and his associates.

There is no hard evidence that the alleged plot represented a serious and imminent threat. In mid-February there were rumors that an attempt had been made on Kerekou's life and that three different military groups--including Alley's clique, other senior officers, and even the radical members of Kerekou's own regime--were coup plotting. All these rumors remain unsubstantiated, although each is plausible in chronically unstable Dahomey. Regime radicals may have played on Kerekou's evident insecurity, however, by exaggerating the threat posed by the disgruntled senior officers as part of a scheme to frighten Kerekou into line and discredit the country's close ties with Paris.

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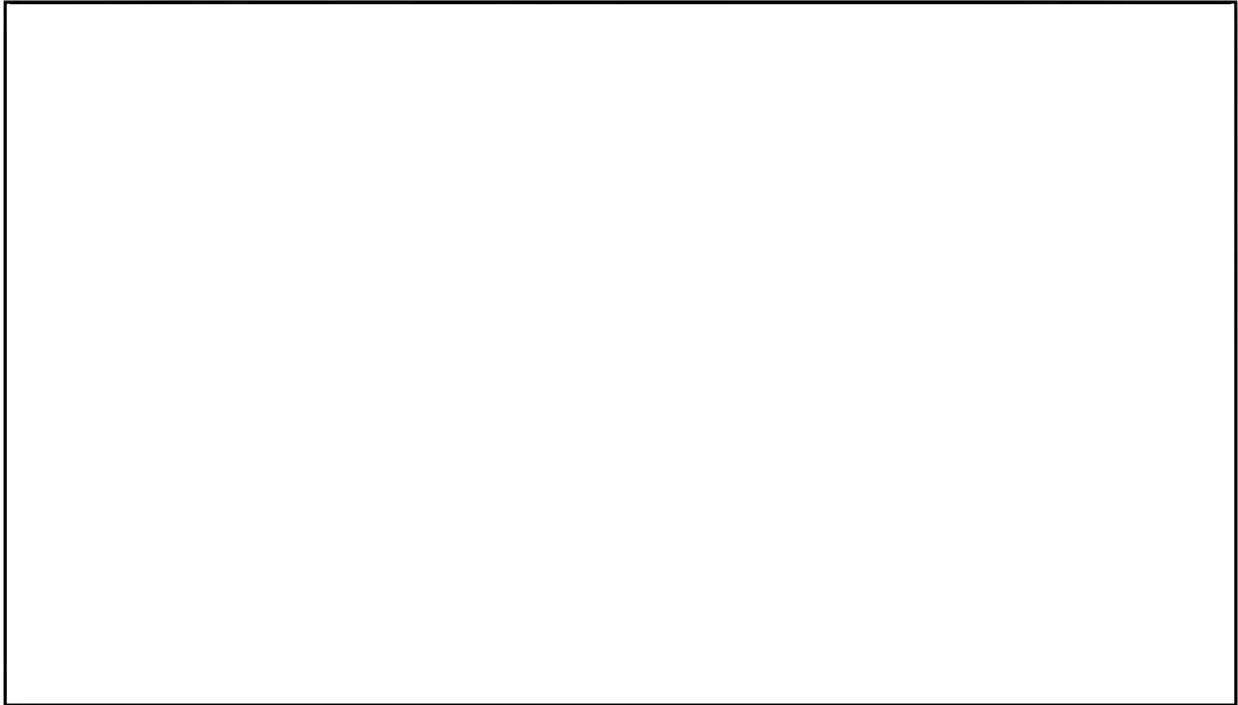
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JAPAN: Preliminary figures indicate that real gross national product increased 9.2 percent last year, well above the 6.3 percent rate of the previous year. The key factor underlying the accelerated pace of growth was increased government spending, although by the end of the year private investment spending was recovering from its earlier slump. Government spending, private investment, and a high level of personal consumption spending are expected to maintain the momentum, and over-all economic activity probably will expand by at least 10 percent this year. The most recent international currency realignment is unlikely to have an appreciable impact on the rate of growth.

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USSR: The 1973 goal for natural gas production has been reduced for the second time, largely because of the continuing problems that caused last year's output to lag. The new goal of 236 billion cubic meters represents only a 6.7 percent increase over last year, well below the average annual growth rate of 10 percent originally set for 1971-75. As a result of the slowed growth in natural gas output, the USSR probably will have difficulty in increasing gas exports. Moscow recently refused to increase deliveries to Austria. For domestic use this year, the Soviets can offset most of the shortfall in gas output by drawing on stored supplies and delaying plans for substituting gas for coal. Beginning next year, the USSR will have to accelerate development of remote fields in West Siberia and Central Asia and of deeper deposits in old producing regions. Soviet equipment is not well suited for these purposes, however, and technicians are showing increased interest in western technology and equipment. [REDACTED]

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SURINAM: The festering six-week salary dispute between the government and some civil servants seems to have taken a nasty turn. Two public schools and the country's tax records office have been destroyed by fire during the last few days and police have fired on the demonstrators, reportedly killing one and injuring others. Police blame the fires on extremists among striking teachers who want the government either to settle the dispute on terms favorable to the strikers or to resign. The police have been instructed to use strong measures to prevent further demonstrations. Some top-level Surinamese officials apparently believe the strike is providing the government with an opportunity to "break" the unions and "teach them a lesson," an attitude that may strengthen support for the strike. Government-labor talks reportedly have made little progress, and the economic consequences of a prolonged strike may undermine the government's position. [REDACTED]

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